

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

	)	
In the Matter of	)	
	)	
K BANK	)	ORDER TO CEASE AND DESIST
RANDALLSTOWN, MARYLAND	)	
	)	FDIC-09-029b
(INSURED STATE NONMEMBER BANK)	)	
	)	

K Bank, Randallstown, Maryland ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulation alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated March 30, 2009, and having also entered into a Stipulation and Consent to the Issuance of an Order to Cease and Desist, dated March 30, 2009 with the Commissioner of Financial Regulation for the State of Maryland ("Commissioner"), whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulation, the Bank, respectively, consented to the

issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and consented to the adoption of the ORDER by the Commissioner.

The FDIC considered the matter and the joint October 14, 2008 (as of September 30, 2008) Report of Examination ("2008 Report") of the Bank by the FDIC and the Commissioner and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulation. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices and violations of law and/or regulation, as more fully set forth in the 2008 Report:

(a) Operating with inadequate supervision and direction over the affairs of the Bank;

(b) Operating in violation of Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323;

(c) Operating with inadequate loan policies, processes and procedures to ensure adequate supervision of the loan portfolio, including an inadequate loan review program and a failure to establish effective procedures to identify, support and report to the Board real estate loans that fall outside the

Bank's own internal loan-to-value limits, in contravention of the Interagency Guidelines for Real Estate Lending Policies as contained in Appendix A to Part 365, 12 C.F.R. Part 365;

(d) Operating the Bank with inadequate capital in relation to the kind and quality of assets held by the Bank;

(e) Operating with an inadequate loan valuation reserve;

(f) Operating with a large volume of poor quality loans;

(g) Engaging in unsatisfactory lending and collection practices;

(h) Operating in such a manner as to produce operating losses;

(i) Operating in such a manner as to produce insufficient earnings;

(j) Operating with inadequate liquidity in light of the Bank's asset and liability mix;

(k) Operating with ineffective interest rate risk policies and procedures;

(l) Operating with inadequate asset/liability management policies and procedures; and

(m) Operating with inadequate internal audit processes.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take

affirmative action as follows:

MANAGEMENT AND STAFFING

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, and other matters needing particular attention. Management shall also include a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy,

earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) While this ORDER is in effect, the Board shall provide written notification to the Regional Director and the Commissioner of the resignations or terminations of any of its Executive Officers (as defined in Regulation O, 12 C.F.R. Part 215) or Board members within 15 days of the event. The Bank shall also establish procedures to ensure compliance with section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303. In addition, the Board shall provide written notification to the Regional Director and the Commissioner of any proposed new Executive Officer or Board member at least 30 days prior to the date such proposed officer or Board member is to begin service; such notification shall include a description of the background and experience of the proposed officer or Board member. Such changes will only be effective upon receipt of the Regional Director's and the Commissioner's approval.

2. Within 60 days from the effective date of this ORDER, the Bank's Board shall retain a qualified independent outside party that is acceptable to the Regional Director and the Commissioner to conduct a study of the management and personnel structure of the Bank to determine whether additional personnel are needed for the safe and profitable operation of the Bank.

Such a study shall include, at a minimum, a review of the duties, responsibilities, qualifications, and remuneration of the Bank officers. The Board shall provide a copy of the study to the Regional Director and the Commissioner. The Board shall formulate a plan to implement the recommendations of the study, which shall be acceptable to the Regional Director and the Commissioner.

#### BOARD PARTICIPATION

3. Beginning on the effective date of this ORDER, the Board shall continue its participation in the oversight of the affairs of the Bank, consistent with its fiduciary responsibilities, and assuming full responsibility for the approval of sound policies and objectives for compliance with this ORDER, and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expense; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; progress reports issued to the FDIC and the Commissioner; and individual committee actions. Board minutes shall fully document these reviews and approvals, including the names of any dissenting directors.

## STRATEGIC PLAN

4. (a) Within 120 days of this ORDER, the Board shall formulate a comprehensive written business/strategic plan covering an operating period of at least three years for the Bank ("Strategic Plan"). The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area along with a description of the operating assumptions that form the basis for major projected income and expense components of the assessment.

(b) The Strategic Plan shall include short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; and long-range goals and project plans.

Additionally, the Strategic Plan shall, at a minimum, include:

- (i) goals for reducing problem assets;
- (ii) strategies for pricing policies and asset/liability management;
- (iii) interest rate risk management;
- (iv) anticipated average maturity and average yield on loans and securities, average maturity and average cost of deposits, the level of earning assets as a percentage of total assets, and the ratio of net interest income to average earning assets;
- (v) dollar volume of total loans, total investment securities, and total deposits;

(vi) plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(vii) financial goals including pro forma statements for asset growth, capital adequacy and earnings; and

(viii) a determination of the ongoing viability of the Bank based on current market conditions.

(c) The Board shall submit the Strategic Plan to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and/or the Commissioner, and after due consideration of any recommended changes, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting in which it is approved.

(d) The Board shall oversee the implementation and compliance with the Strategic Plan after completion of the requirements of subparagraph (c) above.

(e) Within 15 days from the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's performance in relation to the Strategic Plan and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting during which such evaluation is undertaken. In the event the Board determines that the Strategic Plan should be revised in any manner, the Strategic Plan shall be revised and submitted to



the Regional Director and the Commissioner for review and comment within 15 days after such revisions have been approved by the Board.

(f) Within 30 days of receipt of any comments from the Regional Director and/or the Commissioner, and after consideration of all such comments, the Board shall approve the revised Strategic Plan, which approval shall be recorded in the minutes of the Board meeting in which it is approved.

5. The Board shall oversee the implementation and compliance with the revised Strategic Plan after completion of the requirements of Paragraph 4.

#### CAPITAL

6. Within 30 days from the effective date of this ORDER, the Bank shall formulate a written plan acceptable to the Regional Director and the Commissioner to maintain total risk-based capital in such an amount as to equal or exceed 12 percent of the Bank's total risk-weighted assets.

7. The level of total risk-based capital to be maintained during the life of this ORDER pursuant to Paragraph 6 of this ORDER shall be in addition to an adequately funded allowance for loan and lease losses established in accordance with paragraph 19 of this ORDER.

(a) Any increase in total risk-based capital necessary to meet the requirements of Paragraph 6 of this ORDER may be accomplished by any of the following:

(i) the sale of common stock; or

(ii) the direct contribution of cash, or other assets acceptable to the Regional Director and the Commissioner, by the Bank's Board, shareholders, and/or parent holding company; or

(iii) any other means acceptable to the Regional Director and the Commissioner.

(b) Any increase in total risk-based capital necessary to meet the requirements of Paragraph 6 of this ORDER may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

8. For the purposes of this ORDER, the terms "total risk-based capital" and "total risk-weighted assets" shall have the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations.

#### REDUCTION OF ADVERSELY CLASSIFIED ASSETS

9. Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge off or collection, all assets classified "Loss" in the 2008 Report that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

10. Within 60 days from the effective date of this ORDER, the Bank shall revise or adopt a written plan that is acceptable to the Regional Director and the Commissioner to reduce the

Bank's risk exposure in each asset classified "Substandard" or "Doubtful" in the 2008 Report. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and/or the Commissioner. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze and document the financial position of the borrower, including source of repayment, repayment ability and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral and any possible actions to improve the Bank's collateral position.

11. In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(a) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes, with the objective of achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(b) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(c) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets and the ratio of the consolidated balance to the Bank's

projected Tier 1 capital plus the allowance for loan and lease losses;

(d) a provision for the Bank's submission of monthly written progress reports to its Board; and

(e) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

12. The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" and "Doubtful" in the 2008 Report in accordance with the following schedule. For purposes of this paragraph, "number of days" or "months" means number of days or months, respectively, from the effective date of this ORDER.

(i) within 270 days, shall be reduced by at least 25 percent; and

(ii) within 18 months, shall be reduced by at least 50 percent.

13. The requirements of this paragraph do not represent standards for future operations of the Bank. Following achievement with any expected or anticipated reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

#### INDEPENDENT LOAN REVIEW

14. (a) Within 30 days from the effective date of this ORDER, the Board shall engage an independent third party,

acceptable to the Regional Director and the Commissioner, with the appropriate expertise and qualifications to analyze and assess the portion of the Bank's loan portfolio that was not reviewed during the October 14, 2008 joint examination of the Bank, focusing on commercial real estate loans, acquisition, development and construction loans, any loan to finance the sale of Other Real Estate ("ORE") and residential mortgage loans greater than \$600,000 ("remaining targeted loans"). The Bank shall provide the Regional Director and the Commissioner with a copy of the proposed engagement letter or contract with the third party for review before it is executed. The engagement shall require that the analysis and assessment of the remaining targeted loans be summarized in a written report to the Board ("Loan Portfolio Report"), with a copy simultaneously delivered to the Regional Director and the Commissioner.

(b) Within 30 days of receipt of the Loan Portfolio Report, the Bank shall formulate a plan to implement the recommendations of the Loan Portfolio Report, which shall be acceptable to the Regional Director and the Commissioner.

#### INTERNAL LOAN REVIEW PROGRAM

15. Within 30 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement an effective loan review program acceptable to the Regional Director and the Commissioner that provides for a periodic review of the Bank's loan portfolio and the accurate and prompt identification and

categorization of problem credits. The revisions to the Bank's loan review program required by this paragraph, at a minimum, shall:

- (a) include a reevaluation of the point assignment used within the Bank's risk rating matrix and provisions to validate the scoring system;
- (b) address how the risk ratings become finalized;
- (c) require each loan review to be submitted directly to the Board, or a committee of the Board for its substantive review; and
- (d) require the Board or a committee of the Board to acknowledge receipt of the loan review in its respective minutes.

RESTRICTIONS ON ADVANCES TO ADVERSELY CLASSIFIED BORROWERS

16. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or classified "Loss" and is uncollected. The requirements of this subparagraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower, either directly or indirectly. The requirements of this subparagraph shall not apply if the Bank's failure to extend further credit to a particular borrower would be

detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or a designated committee thereof, who shall conclude and fully document in its minutes that:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank's position, including an explanation of how the Bank's position would improve;

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

(iv) the Board's or designated committee's conclusions and approval shall be made a part of its minutes, with a copy retained in the borrower's credit file.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, classified "Substandard" or "Doubtful" and is uncollected, unless the Board has adopted, prior to such extensions of credit, a detailed written statement giving the

reasons why such extensions of credit are in the best interests of the Bank. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable Board meeting. The requirements of this subparagraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

RESTRICTIONS ON ADVANCES TO CERTAIN OTHER BORROWERS

17. (a) While this ORDER is in effect, no new loans or other extensions of credit shall be granted to any non-adversely classified borrower to acquire, develop, or improve commercial or residential real estate.

(b) For purposes of subparagraph (a) of this paragraph, the following loans are excluded, provided the loans have received the prior written approval of the Board or a designated committee thereof, as reflected in recorded minutes, and the loans are otherwise in conformance with all laws and regulations:

(i) Loans secured with owner-occupied commercial real estate;

(ii) Loans or extensions of credit involving real estate securing existing Bank extensions of credit whereby additional funds are advanced to construct single family residences under sales contracts with creditworthy individuals who have obtained written commitments for permanent financing;



(iii) First liens to acquire or refinance owner-occupied single-family residences,

(iv) Home equity loans for household, family or other consumer expenditures; or for

(v) Loans for renewals, restructures, draws or other advances to existing loans; and loans for the sale of ORE or real estate securing existing loans to creditworthy third parties which are underwritten in accordance with prudent banking practices and all applicable state and federal laws and regulations.

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

18. The Bank shall maintain, through charges to current operating income, an adequate allowance for loan and lease losses ("ALLL"). The adequacy of the ALLL shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the potential for loan losses in the Bank's portfolio, current economic conditions, and any criticisms as contained in the 2008 Report. The ALLL shall provide for individually evaluated loans in accordance with Financial Accounting Standards ("FAS") 114 and losses inherent in the grouped loan and lease portfolio in accordance with FAS 5. The Bank shall conduct, at a minimum, a quarterly assessment of its allowance for loan and lease losses and shall maintain a written record, for supervisory review, indicating the methodology used

in determining the amount of the allowance needed. The quarterly assessment shall be reviewed by the Board and shall be noted in the minutes of the Board.

#### CORRECTION OF SPECIAL MENTION LOANS

19. Within 60 days of the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for Special Mention in the 2008 Report.

#### OTHER REAL ESTATE

20. While this ORDER is in effect, the Bank will maintain a written Board-approved policy for managing ORE, which provides for independent appraisals of each parcel at the time of foreclosure and at least annually thereafter, budgets for each parcel with a book value in excess of \$250,000, and action plans for the orderly liquidation of ORE. The policy shall also provide requirements for accounting, including FAS 66 analyses for internally financed ORE properties, documentation, resale terms, and reporting to the Board.

#### CORRECTION OF VIOLATIONS OF LAW AND REGULATION

21. Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation, as more fully set forth in the 2008 Report. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

#### PROFIT AND BUDGET PLAN

22. (a) Within 120 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Board shall develop and fully implement a written profit plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies or other actions required by this Order.

(b) The Profit Plan should not include any areas representing a material change in the business plan and which have not been submitted to the Regional Director and the Commissioner 60 days prior to consummation of the change, but shall, at a minimum, include:

(i) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;

(ii) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings;

(iii) realistic and comprehensive budgets for all categories of income and expense items;

(iv) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(v) coordination of the Bank's loan,

investment, funds management, and operating policies; strategic plan; and allowance for loan and lease losses methodology with the profit and budget planning;

(vi) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than monthly; recording the results of the evaluation and any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken; and

(vii) individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

(c) The Board shall submit the Profit Plan to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and/or the Commissioner, and after due consideration of any recommended changes, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting in which it is approved.

(d) Within 30 days from the end of each calendar month following the effective date of this ORDER, the Board shall evaluate the Bank's performance in relation to the Profit Plan and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting during which such evaluation is undertaken. In the event the Board

determines that the Profit Plan should be revised in any manner, the Profit Plan shall be revised and submitted to the Regional Director and the Commissioner for review and comment within 10 days after such revisions have been approved by the Board. Within 30 days of receipt of any comments from the Regional Director and/or the Commissioner, and after consideration of all such comments, the Board shall approve the revised Profit Plan, which approval shall be recorded in the minutes of the Board meeting in which it is approved.

(e) The Board shall oversee the implementation of and compliance with the revised Profit Plan after completion of the requirements of this Paragraph 22.

#### RESTRICTION ON DIVIDENDS AND MANAGEMENT FEES

23. The Bank shall not pay cash dividends or management fees to the Bank's holding company without the prior written consent of the Regional Director and the Commissioner.

#### BROKERED DEPOSITS

24. Upon the effective date of this ORDER, the Bank shall not accept, renew or roll over any brokered deposit unless it has been granted a waiver by the Regional Director.

25. While this ORDER is in effect, the Bank shall not offer rates of interest which are more than 75 basis points higher than the prevailing rates of interest on deposits offered by other insured depository institutions in the Bank's normal market area in accordance with Part 337 of the FDIC's Rules and

Regulations.

FUNDS MANAGEMENT AND LIQUIDITY

26. Within 30 days from the effective date of this Order, the Bank shall submit to the Regional Director and the Commissioner a revised and comprehensive funds management and liquidity plan. The plan shall address the means by which the Bank will seek to reduce its reliance on non-core funding and high cost rate-sensitive deposits. The plan shall also assess possible liquidity events that the Bank may encounter and identify contingency responses to the potential impact of such events on the Bank's short-term, intermediate-term and long-term liquidity profiles.

INTEREST RATE RISK AND ASSET/LIABILITY MANAGEMENT POLICY

27. (a) The Bank's Asset/Liability Committee ("ALCO") shall be a Board-level committee and shall be comprised of a minimum of three outside directors who are not now, and have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Regional Director and the Commissioner;

(b) The ALCO shall meet on a monthly basis; and

(c) Changes to existing or new interest bearing products are to be evaluated and approved by the ALCO prior to implementation.

AUDIT PROGRAM

28. Within 60 days from the effective date of this ORDER,

management shall develop and submit to the Audit Committee a written plan to correct all existing deficiencies identified in prior internal audits and all future internal audits. The written plan shall be submitted to the Regional Director and the Commissioner.

#### COMPLIANCE COMMITTEE

29. Beginning on the effective date of this ORDER, the Board shall maintain a committee ("Compliance Committee") composed of at least three independent or outside directors who are not now, and have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Regional Director and the Commissioner, to monitor the Bank's compliance with this ORDER.

30. Within 30 days from the effective date of this ORDER, and at monthly intervals thereafter, such Compliance Committee shall prepare and present to the Board a written report of its findings, detailing the form, content, and manner of any action taken to ensure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the Board minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

#### SHAREHOLDERS

31. Following the effective date of this ORDER, the Bank

shall send to its parent holding company the ORDER or otherwise furnish a description of the ORDER in conjunction with the Bank's next communication with such parent holding company. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, and to the Commissioner of Financial Regulation, 500 Calvert Street, Suite 402, Baltimore, Maryland 21202, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

#### PROGRESS REPORTS

32. Within 30 days after the end of the first calendar quarter, and, following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof.

#### OTHER PROVISIONS

33. It is expressly and clearly understood that if, at any time, the Regional Director and the Commissioner shall deem it appropriate in fulfilling the responsibilities placed upon the Regional Director or the Commissioner under applicable law to



undertake any further action affecting the Bank, nothing in this ORDER shall in any way inhibit, estop, bar or otherwise prevent the Regional Director or the Commissioner from doing so.

34. It is expressly and clearly understood that nothing herein shall preclude any proceedings brought by the Regional Director and the Commissioner to enforce the terms of this ORDER, and that nothing herein constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power or authority of any other representatives of the United States, departments or agencies thereof, Department of Justice, or any other representatives of the State of Maryland or any other departments or agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

#### EFFECTIVE DATE

35. This ORDER will become effective upon its issuance by the FDIC.

36. The provisions of this ORDER shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns and other institution-affiliated parties of the Bank.

37. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at New York, New York, this 1st day of April, 2009.

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James C. Watkins  
Deputy Regional Director  
Division of Supervision and  
Consumer Protection

**ACKNOWLEDGEMENT OF ADOPTION OF FDIC ORDER BY  
THE COMMISSIONER OF FINANCIAL REGULATION AND K BANK**

The Commissioner of Financial Regulation for the State of Maryland (the "Commissioner"), having duly approved the foregoing Order to Cease and Desist ("ORDER"), and K Bank, Randallstown, Maryland (the "Bank"), agree that upon the issuance of the said ORDER by the Federal Deposit Insurance Corporation such ORDER shall be binding as between the Bank and the Commissioner, with the same legal effect and to the same degree that such ORDER would be binding on the Bank if the Commissioner had issued a separate order, pursuant to Md. Code Ann., Fin. Inst. § 5-808, that included and incorporated all of the provisions of the foregoing ORDER.

The Commissioner and the Bank further agree that the provisions of this ORDER shall remain effective and enforceable by the Commissioner against the Bank except to the extent that, and until such time as, any provisions of this ORDER shall be modified, terminated, suspended, or set aside by the Commissioner.

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Sarah Bloom Raskin  
Commissioner of Financial Regulation

March 30, 2009  
Date

**Agreed and Acknowledged:  
K Bank, Randallstown, Maryland**

By:

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Joel Dackman  
Director

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Jan Cohen Feldman  
Director

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Ejner J. Johnson, Jr.  
Director

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W. Benton Knight  
Director

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John Joseph McAleer, IV  
Director

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Marc S. Rosen  
Director

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Steven M. Rosen  
Director

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Morton Shapiro  
Director

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Alan R. Silver  
Director

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Richard D. Sussman  
Director

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Seymour Sussman  
Director

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David H. Wells, Jr.  
Director

Comprising the Board of  
Directors of  
K Bank  
Randallstown, Maryland